

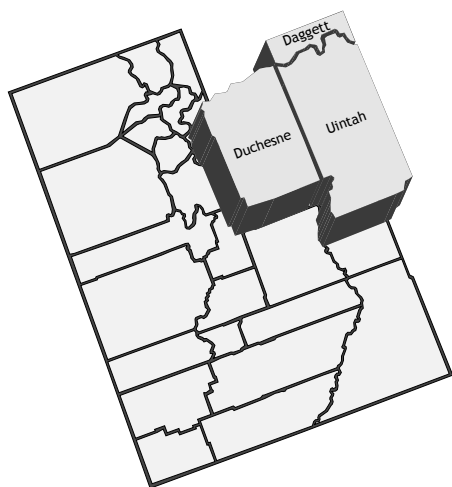
Workforce News



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Uintah Basin: Daggett, Duchesne, Uintah

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A Special Report on Utah's Oil and Gas Exploration and Production Industry

This issue of Workforce News is devoted to providing a brief summary of the new report *The Structure and Economic Impact of Utah's Oil and Gas Exploration and Production Industry* as prepared by the Bureau of Business and Economic Research. While the report analyzes the oil and gas industry for the entire state, the focus here centers upon the facts relevant to the Uinta Basin. The oil and gas report only provides data up through the end of 2008, which characterizes a prosperous boom for the industry. Since then, employment in the oil and gas industry has contracted significantly. After a brief summary of the report, the employment situation in the industry is updated through June 2009.

Utah crude oil and natural gas production boomed from 2003 through 2008, according to the report. Statewide production of oil increased 68 percent from 2003 to 2008 and statewide natural gas production increased 54 percent during the same period. The boom was even more dramatic in the Uinta Basin. Oil production more than doubled from 7.4 to 15.2 million barrels per year and natural gas production increased by 143 percent in the Uinta Basin during the boom. In 2008, the Uinta Basin produced 69.2 percent of Utah's total oil output and 67.8 percent of the state's natural gas, revealing that the region is, by far, the most significant producer of both commodities.

One of the most interesting and important topics discussed in the report is the "multiplier effect" of the oil and gas industry. The multiplier effect refers to the increase in output in other sectors of the economy that results from the

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Inside:

- **Daggett:** The unemployment rate remains low while employment is on the rise
- **Duchesne:** Second quarter job losses are increase and the unemployment rate continues to increase.
- **Uintah:** Job losses are very high as the oil and gas industry contracts.

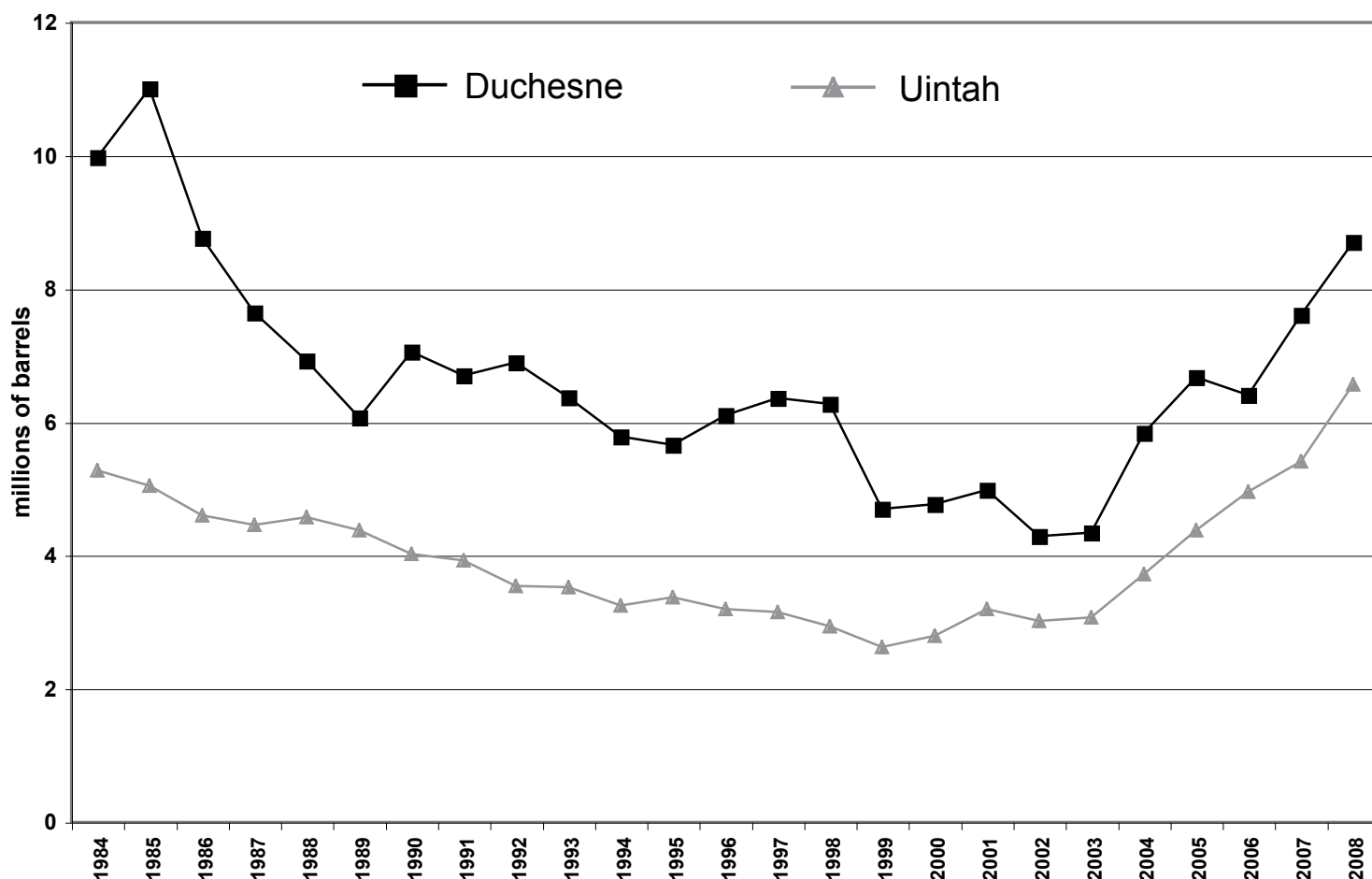
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Utah's Oil and Gas (continued)

Uinta Basin Crude Oil Production, 1984-2008



Source: *The Structure and Economic Impact of Utah's Oil and Gas Exploration and Production Industry*, Bureau of Business and Economic Research

increase in production in the oil and gas industry. In the Uinta Basin, 21 percent of all jobs were in the oil and gas industry in 2007. These workers and firms in the oil and gas industry demand local goods and services, which creates a multiplier effect by increasing local output of the goods

and services consumed by the oil and gas industry. This additional employment was estimated to be roughly 24 percent of all jobs in the region during 2007. Therefore, the oil and gas industry can be viewed as creating, both directly and indirectly, 45 percent of all jobs in the Uinta

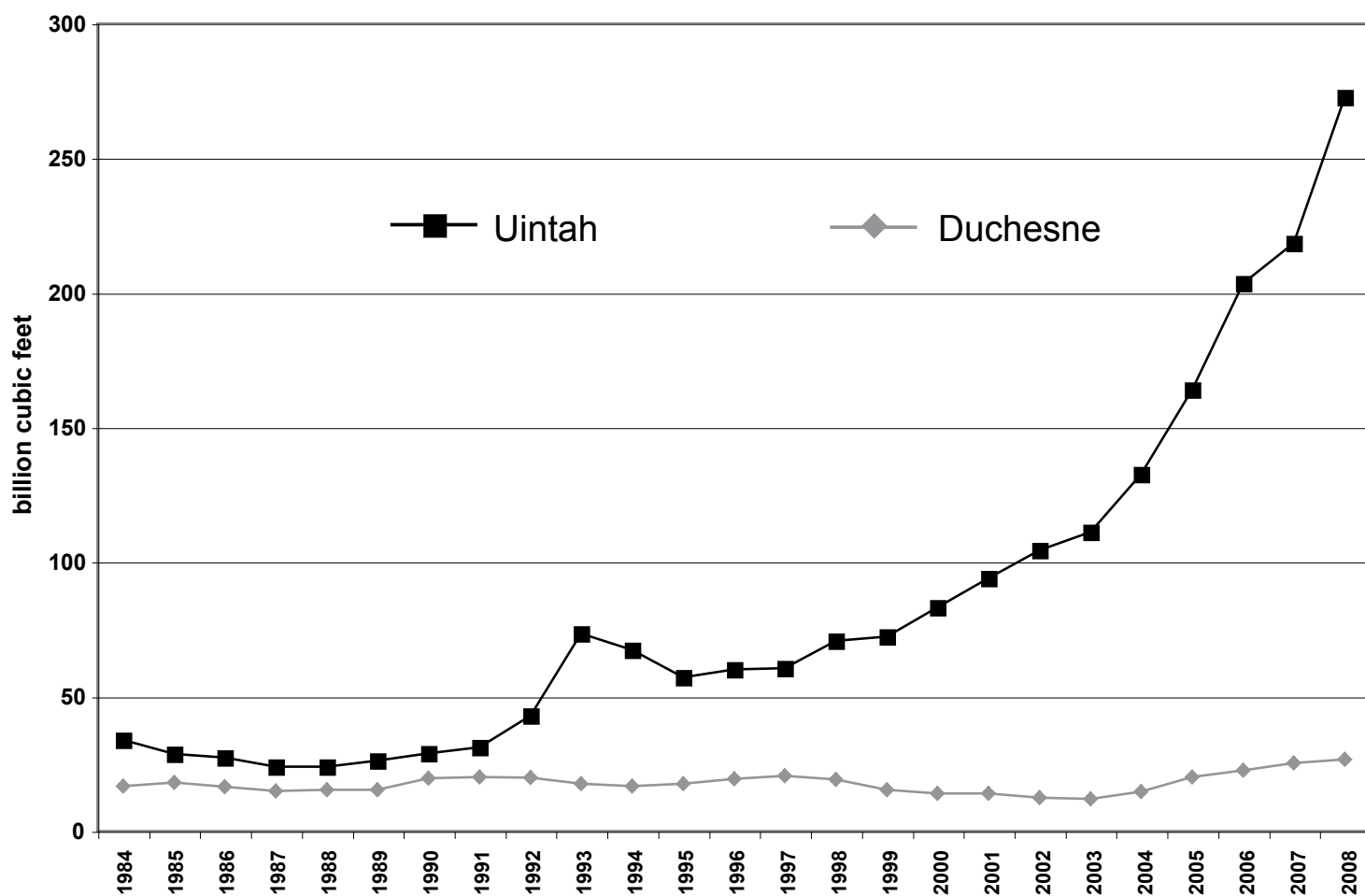
Basin in 2007. These direct and indirect workers received roughly 50 percent of all wages paid in the area.

In addition to creating employment, the oil and gas industry generates a significant amount of government revenue through property taxes and

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Utah's Oil and Gas (continued)

Uinta Basin Natural Gas Production, 1984-2008



Source: *The Structure and Economic Impact of Utah's Oil and Gas Exploration and Production Industry*, Bureau of Business and Economic Research

federal mineral royalties. In 2007, the oil and gas industry in the Uinta Basin paid \$18.4 million in property taxes, which was 35 percent of all property taxes paid in Duchesne and Uintah counties combined. Federal mineral royalties are returned to the Uinta Basin through the Utah

Department of Transportation, which provides significant revenue to local governments. The amount of local government revenue generated by the oil and gas industry through federal mineral royalties was \$30.7 million in 2007.

The last topic from the oil and gas report to receive mention concerns future forecasts. While several possible growth scenarios are discussed in the report, only one reference scenario is described here. For the 30-year period from 2009 to 2038,

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Utah's Oil and Gas (continued)

it is projected that the value of oil and gas production in the Uinta Basin will increase from \$1.8 to \$14.9 billion. During this same period, employment will increase by 24,460 jobs, personal income will increase by \$3.6 billion dollars, and state and local revenue will increase by \$350 million. The growth scenarios all indicate that growth for the Uinta Basin will be larger than for any other oil and gas region in the state.

The oil and gas report describes a five-year period of continuous growth in output up to the end of 2008. However, since the beginning of 2009, employment in these industries has declined precipitously. The contraction can be explained in large part by the price of crude oil. During the boom, the U.S. price of oil steadily rose from \$18.45 to \$142.52 per barrel from December 2001 to July 2008. The price of oil then plummeted to a low of \$32.98 per barrel in December of 2008. This corresponds almost exactly to the point in time when employment in the oil and gas industry began to decline. In Duchesne County, employment in the oil and gas industry fell by 18.3 percent from the average fourth-quarter employment in 2008 to the average second-quarter employment in 2009. Over the same period, employment dropped 37

percent in the oil and gas industry in Uintah County. The declines in employment for both counties are the largest in percentage terms in more than five years.

The flourishing oil and gas industry described in the report experienced a rather significant contraction during the first six months of 2009. Nevertheless, the oil and gas report provides a comprehensive historical overview of the industry in Utah and contains a wealth of informa-

tion, including future economic projections. For those interested in the economics of Utah's oil and gas industry, or, more specifically, for those interested in understanding what drives the economies of Duchesne and Uintah counties, this report will prove highly valuable. **WFN**

To read the entire report, go to the following link:

<http://www.bebr.utah.edu/>

What's Up?

"Newfield Exploration Co. is proposing to drill up to 5,750 additional oil and gas wells over a period of 23 years in the Monument Butte areas of southeastern Duchesne County and western Uintah County."

—*Uintah Basin Standard*

"The **Dinosaur National Monument** and its renowned Quarry Visitor Center is in a slump. The National Park Service, with a \$13.1-million infusion of federal economic stimulus funds for the monument, is about to help the Basin's tourist trade boom again. The money will be used to wrap a new building around the quarry wall, allowing guests to once again view the hundreds of fossils that have been slowly exposed since excavations began in 1909. A new visitor center will also be built. The stimulus money and the monument's revival—the Quarry Center should be open by the summer of 2011—couldn't come at a better time."

—*Salt Lake Tribune*

County News

Daggett County:

In comparison with 2008, employment was higher during May (up 4.7 percent) and June (up 3.4 percent). Virtually all of the new jobs were in the leisure and hospitality sector. With an unemployment rate of 4.2 percent, Daggett County has one of the lowest rates in the state. Taxable sales for the second quarter of 2009 were down 23 percent from the second quarter of 2008. However, sales were up 80 percent in the second quarter of this year compared to the first quarter.

Duchesne County:

Employment declined significantly during the second quarter of 2009. There were 443 fewer jobs on average from April to June of 2009 as compared with the same period in 2008. The year-over decrease in jobs equaled 652 for June 2009, which represents a 7.6-percent year-over drop. Year-over job losses for June were highest in mining (down 203), construction (down 261), manufacturing (down 50), and transportation and warehousing (down 95). Lower oil prices during the first half of 2009 likely explain the decline in the mining sector (which includes oil and gas). Because the oil and gas industry plays such a central role in the county's economy, when it contracts other sectors in the economy also contract. Consequently, almost every sector in Duchesne's economy saw job losses. The unemployment rate has steadily increased from 2.9 percent in December 2008 to 7.3 percent in September 2009. Sales for the second quarter of this year were down 18 percent as compared to the first quarter and down 17 as compared to the second quarter of 2008.

Uintah County:

The economy of Uintah County was hit hard with job losses in the second quarter of this year. There were 2,190 fewer jobs in June 2009 as compared with June 2008, which represents a 14-percent decline. The huge drop in the price of oil in December 2008 can largely explain the job losses as employment in the mining sector (which includes oil and gas) declined by 1,723 jobs in June compared with the previous year. Job losses in construction were also significant as there were 425 fewer jobs in June compared to 2008. Nearly every sector of Uintah County's economy saw a year-over decline in employment during the second quarter of this year. The unemployment rate has increased from 2.3 percent in December 2008 to 6.9 percent in September 2009, which is nearly a mirror image of the increase in the unemployment rate in Duchesne County.

Sales fell significantly in the second quarter of 2009. From the first to second quarter of this year, sales were down by 23 percent. The year-over decrease in second quarter sales equaled 40 percent.

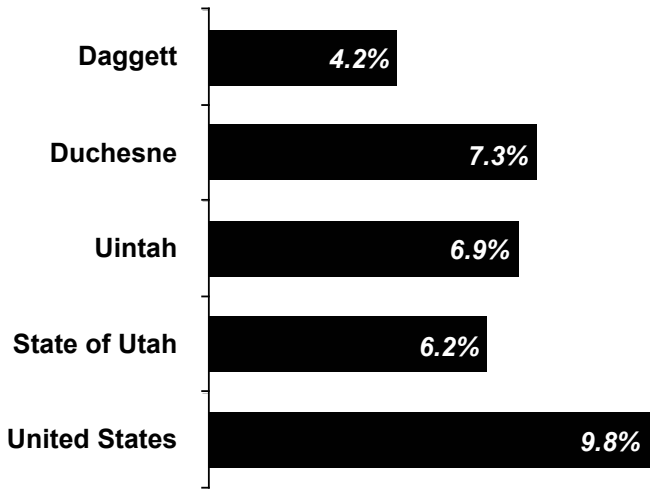
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For more employment information about your county go to: <http://jobs.utah.gov/countyinfo> and select your county, then go to Labor Market Indicators in the right-hand margin.

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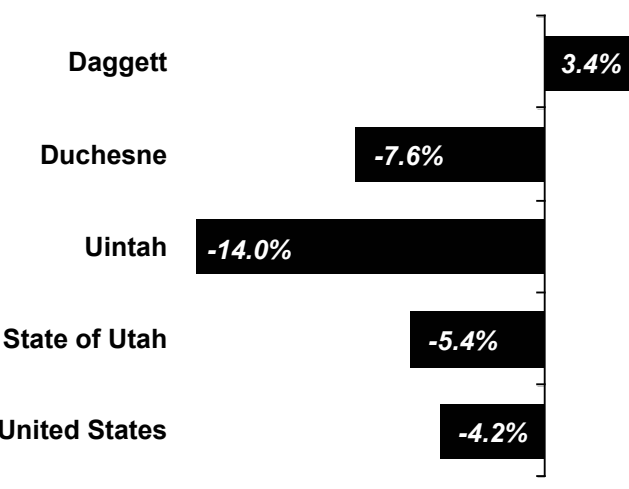
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Seasonally Adjusted Unemployment Rates
September 2009



Source: Utah Dept. of Workforce Services; U.S. Bureau of Labor Statistics.

Percent Change in Nonfarm Jobs
June 2008 to June 2009



Source: Utah Dept. of Workforce Services; U.S. Bureau of Labor Statistics.

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